

U. S. Treasury Department  
Internal Revenue Service  
Washington 25, D. C.

Alcohol and Tobacco Tax Division  
Industry Circular No. 54-9

October 22, 1954

Notice of Anticipated Revision of Certain  
Regulations Relating to Rectifying Plants

Proprietors of rectifying plants; and others concerned:

1. Section 5022 of the Internal Revenue Code of 1954, which becomes effective on January 1, 1955, (derived principally from section 3030(a)(2) of the Internal Revenue Code of 1939) represents a substantial change in the basis for applying the rectification tax to liqueurs, cordials, or similar compounds which contain fortified wine.

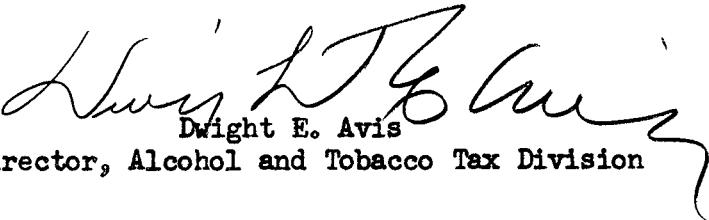
2. The prior law provided that liqueurs, cordials, and similar compounds containing fortified wine be taxed at the rate of 12 cents for each half pint or fraction thereof. The new law provides that such products (other than bottled cocktails) containing more than 2 1/2 percent of wine having an alcohol content in excess of 14 percent by volume shall be taxed at the rate of \$1.92 per wine gallon. Liqueurs, cordials, and similar compounds containing wine (either fortified or unfortified) in a quantity less than 2 1/2 percent of the volume of the finished product shall be taxed at the regular rectification tax rate of 30 cents per proof gallon.

3. As a result of the new law, the tax rate on all liqueurs, cordials, or similar compounds which contain fortified wine (including vermouth) or which contain more than 2 1/2 percent by volume of unfortified wine of an alcohol content in excess of 14 percent by volume will be changed effective January 1, 1955. Accordingly, it will be necessary that new formulas be submitted on Forms 27-B Supplemental, in quadruplicate, to the assistant regional commissioner, Alcohol and Tobacco Tax, for all products compounded through the use of fortified wine (including vermouth) or any wine containing more than 14 percent of alcohol by volume. The new formulas should be given new serial numbers and should state the alcohol content of the wine (including vermouth) to be used, and show the percent by volume of wine in the finished product. Since it is necessary that the correct tax rate be shown on each Form 27-B Supplemental, it will be necessary that such forms be approved prior to January 1, 1955, in order that the products can be taxpaid on and after that date.

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4. This industry circular is issued in anticipation of the effective date of the new law and the regulations implementing the provisions thereof. It is suggested that you review the formulas which you are now using and where a formula provides for the use of wine (including vermouth), containing more than 14 percent alcohol by volume, in the manufacture of a liqueur, cordial, or similar compound you submit Form 27-B Supplemental noting thereon that such formula is to be effective as of January 1, 1955.

5. Correspondence concerning this industry circular should refer to the number thereof and the symbols O:AT:PP.

  
Dwight E. Avis  
Director, Alcohol and Tobacco Tax Division

IRS-4122